

Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 09-4403/1	Introduction Number AB-0853	
Description tax benefits for hiring new employees and granting rule-making authority.		
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Cities </div> </div> </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.143 (1) (a) </div> <div> Affected Ch. 20 Appropriations </div> </div>		
Agency/Prepared By COMM/ Julie Keal (608) 266-6748	Authorized Signature Louie Cornelius (608) 266-8629	Date 3/17/2010

Fiscal Estimate Narratives

COMM 3/17/2010

LRB Number	09-4403/1	Introduction Number	AB-0853	Estimate Type	Original
Description tax benefits for hiring new employees and granting rule-making authority.					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates the Jobs Creation Tax Benefit Program. Under this program, eligible certified businesses may retain the withholding taxes they would have paid for eligible employees in new full-time jobs. Eligible employees are those hired after February 3, 2010, and before January 1, 2011. An eligible employee must not have been employed for more than 40 hours during the 60 day period ending on the date the employee begins his or her employment with the certified business.

Commerce has the following responsibilities under this program:

1. Certify businesses as eligible for tax benefits and allocate to each business the amount of tax credits it may claim. An eligible business may have no more than 10 employees. According to the US Census Bureau, Statistics of US Businesses: 2006, 85,792 businesses had 9 or fewer employees, and would be eligible for certification if they added eligible employees. The department shall notify the Department of Revenue of all persons that it certifies and of the amount of tax credits it allocates to each person. Commerce may allocate not more than \$2,000,000 to businesses under this program.
2. Revoke certifications and notify the Department of Revenue of all revocations.
3. Verify information submitted by businesses claiming tax benefits.
4. Promulgate rules for the implementation and operation of the program.

Commerce will not be able to accomplish these responsibilities within existing budget authority. Since at least 85,792 businesses could be eligible for the program, Commerce will be dealing with certifying and administering the program for a very large number of small businesses. As an illustration, if each certified business added 3 employees with \$2000 each in withholding, and Commerce allocated the entire \$2 million, that would mean that Commerce would be certifying and verifying information for 333 businesses. This is a limited term program only for employees hired from February 3, 2010 until January 1, 2011, so Commerce will require project positions for its administration. The required rule promulgation, program development, and program administration (certification of businesses, allocation of credits, and verification of credit claims) will require 2.0 FTE 2 year project positions. Two year positions are required, since claims will continue into future taxable years, until the business's allocation is exhausted.

These positions will develop rules and policies for the program, develop and implement performance measures for the program, publicize the program, work with businesses to access the program, review applications, recommend action on applications, negotiate and enter into contracts with successful applicants, verify tax benefit claims and supporting documentation, and work with successful applicants in reporting results. The costs of these positions will be as follows.

Salary \$89,800
Fringe \$41,000
Supplies \$ 16,000

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 09-4403/1		Introduction Number AB-0853	
Description tax benefits for hiring new employees and granting rule-making authority.			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): 			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$130,800	\$	
(FTE Position Changes)	(2.0 FTE)		
State Operations - Other Costs	16,000		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$146,800	\$	
B. State Costs by Source of Funds			
GPR	146,800		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$146,800	\$	
NET CHANGE IN REVENUE	\$	\$	
Agency/Prepared By		Authorized Signature	Date
COMM/ Julie Keal (608) 266-6748		Louie Cornelius (608) 266-8629	3/17/2010

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Fiscal Estimate Narratives

DOR 3/26/2010

LRB Number	09-4403/1	Introduction Number	AB-0853	Estimate Type	Original
Description tax benefits for hiring new employees and granting rule-making authority.					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, employers are required to withhold Wisconsin income taxes from their employees' wages, and to remit the amount withheld to the Department of Revenue on behalf of the employee. Amounts withheld and remitted to the Department of Revenue by the business are advance payment for the employees' Wisconsin income tax liability.

Under the bill, an eligible business may retain withholding in an amount that is equal to the increase in the business's payroll attributable to new employees with full-time jobs rather than remit the amount as withholding taxes. A business is eligible for the tax benefits if it employs no more than ten employees during the year and if it is certified by the Department of Commerce to receive the tax benefit. The new employees must begin employment after February 3, 2010 and before January 1, 2011 and must not have been employed for more than 40 hours in the 60-day period ending on the date employment begins. The new employee may not be employed to replace another employee unless the other employee separated employment voluntarily or was terminated with cause. The new employee may not be related to the employer as defined under 26 USC 51(i)(1).

Under the bill, the Department of Revenue is to consider all amounts retained as tax benefits to be amounts submitted to DOR as withholding taxes on behalf of the businesses' employees. The maximum amount of tax benefits that may be awarded under the bill is \$2 million.

Fiscal Estimate

The fiscal effect is estimated to be \$2 million for all fiscal years, the maximum amount of tax benefit that may be certified under the bill. The bulk of the fiscal effect is expected to be experienced in FY 2011. However, to the extent that certified businesses have not withheld and retained amounts during FY 2011 equal to the amount of tax benefits they are certified to receive, the fiscal effect would be less than \$2 million in FY 2011, with the remainder of the fiscal effect being felt in future fiscal years. For example, assume an eligible business with seven employees hires an eighth employee at an annual salary of \$39,000, the average annual wage in Wisconsin in 2008. The business applies to Commerce and is certified for a tax benefit of \$39,000, the increase in its payroll. Based on an analysis of tax year 2008 individual tax returns, the average annual withholding per wage earner was \$2,059. Therefore, on average, an employer with eight employees would remit \$16,472 in withholding annually ($\$2,059 \times 8$). Assuming withholding amounts and the number of employees remain the same, the business would be able to retain all of its withholding for the next 2.4 years ($\$39,000/\$16,472$).

Any additional administrative costs associated with the bill can be absorbed within existing resources of the department.

Long-Range Fiscal Implications

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TOTAL State Revenues	\$	\$	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$See Text	\$	
Agency/Prepared By		Authorized Signature	Date
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	3/26/2010